

June 2014

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	313
[2]	Number at end of fiscal year	320
[3]	Total Lines 1 and 2	633
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	316.5
All Residents		
[6]	Number at beginning of fiscal year	364
[7]	Number at end of fiscal year	379
[8]	Total Lines 6 and 7	743
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	371.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.85

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$20,521,703
[a] Depreciation	\$2,518,887
[b] Debt Service (Interest Only)	\$2,185,100
[2] Subtotal (add Line 1a and 1b)	\$4,703,987
[3] Subtract Line 2 from Line 1 and enter result.	\$15,817,716
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	85%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$13,475,928
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$13,476

PROVIDER Atherton Baptist Homes
COMMUNITY Atherton Baptist Homes

214 S. Atlantic Blvd. Alhambra, California 91801


ATHERTON

TEL 626-289-4178 FAX 626-576-0857 www.abh.org

RECEIVED
APR 29 2016
CONTINUING CARE
CONTRACTS BRANCH

April 25, 2016

Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Gentlemen and/or Ladies:

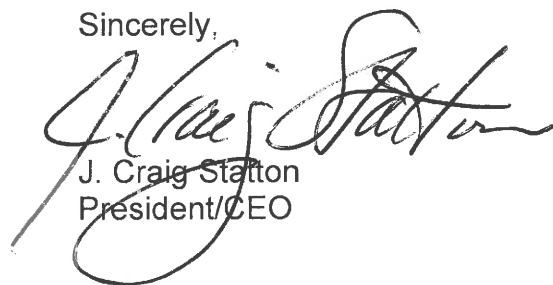
I, J. Craig Statton, certify that the annual audit, reports and any amendments thereto submitted for FYE December 31, 2015 for Atherton Baptist Homes are true and correct to the best of my knowledge.

Each continuing care contract form in use or offered to new residents by Atherton Baptist Homes has been approved by the Department of Social Services.

Atherton Baptist Homes is maintaining the required liquid reserve.

Atherton Baptist Homes does not offer refundable contracts.

Sincerely,


J. Craig Statton
President/CEO

ACORD™**EVIDENCE OF PROPERTY INSURANCE**DATE (MM/DD/YYYY)
04/12/2016

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY USI Insurance Services LLC-CL Lic # 0G11911 21700 Oxnard Street, Suite 1200 Woodland Hills, CA 91367		PHONE (A/C, No, Ext): 818 251-3067		COMPANY Philadelphia Indemnity Insurance Co. One Bala Plaza, Suite 100 Bala Cynwyd, PA 19004-1403	
FAX (A/C, No):		E-MAIL ADDRESS: Marlo.reininger@usi.biz			
CODE:		SUB CODE:			
AGENCY CUSTOMER ID #: 699732					
INSURED Atherton Baptist Homes 214 South Atlantic Blvd Alhambra, CA 91801				LOAN NUMBER	
				POLICY NUMBER PHSD1096536	
EFFECTIVE DATE 11/20/15		EXPIRATION DATE 11/20/16		<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
THIS REPLACES PRIOR EVIDENCE DATED:					

PROPERTY INFORMATION**LOCATION/DESCRIPTION**

Location #1 214 South Atlantic Blvd. Alhambra, CA 91801

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Employee Fidelity Loss Sustained	\$1,000,000	\$1,000

REMARKS (Including Special Conditions)

Evidence issued as Proof Only.

Employee Theft and Client Coverage.

Limit of Liability \$1,000,000


Ded. \$1,000

Coverage - Loss Sustained

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS Atherton Baptist Homes 214 South Atlantic Blvd. Alhambra, CA 91801-3257	MORTGAGEE		ADDITIONAL INSURED X Certificate Holder
	LOSS PAYEE		
	LOAN #		
	AUTHORIZED REPRESENTATIVE 		

SURETY BOND

(Original sent to District Office)

1000 Corporate Center Drive, Suite #500 MS 31-11
Monterey Park CA 91754

Premium: \$3,000.00 1 year

Applicant/Licensee Name: Atherton Baptist Homes, Inc.

Address: 214 S. Atlantic Blvd, Alhambra, CA 91801

Bonding Company: INTERNATIONAL FIDELITY INSURANCE COMPANY

Address: 2999 Oak Road, Suite 820 Walnut Creek, CA 94597

Telephone #: (925) 256-8760

Local Agent Name: USI of Southern California Insurance Services, Inc.

Telephone #: (800) 339-2218

The addresses shown above for licensee and Bonding Company will be used
for service of notices, papers and other documents.

BE IT KNOWN THAT:

Licensee, as Principal, and Bonding Company, as Surety, are held and firmly bound to the State of California, as beneficiary, in the amount of \$ \$300,000 (Three Hundred Thousand Dollars) for the payment of which the principal and surety bind themselves, their respective heirs, successors and assigns, jointly and severally.

WHEREAS Health and Safety Code sections 1560, 1568.021 and 1569.60 each require certain applicants for licenses to file with the State Department of Social Services a surety bond; and

WHEREAS the licensee has applied to operate a (check all that apply):

☐

Adult Residential, Adult Day Care, Adult Day Support or Social Rehabilitation Facility, and the licensee handles client/resident funds in any amount; or

☒

Foster Family Home, Foster Family Agency, Group Home, Small Family Home, Residential Care Facility for Persons with Chronic, Life-Threatening Illness, or Residential Care Facility for the Elderly, and the licensee handles Funds of \$50 or more per client/resident r \$500 or more for all clients/residents in any month;

NOW, THEREFORE, the surety is liable on this bond in the event that the principal fails to handle faithfully and honestly the money of facility clients/residents.

The facility covered by this bond is:

Facility Name: Atherton Baptist Homes, Inc.

Facility Address: 214 South Atlantic Blvd, Alhambra, CA 91801

Facility License Number (if facility is currently licensed :) 19702543

(If other facilities are covered by this bond, specify on a separate, attached page the name, address, facility license number, and bond amount for each facility.)

Every person injured as a result of any unfaithful or dishonest handling of client money may bring an action in a proper court on the bond for the amount of damage suffered thereby to the extent covered by the bond.

The aggregate liability of the Surety for all claims against this bond shall not exceed the amount of the bond, shown above.

This bond may be canceled the Surety in accordance with Code of Civil Procedure section 996.030, and notice of cancellation must be sent in accordance with Code of Civil Procedure section 996.320. This bond is effective 06/10/2015 - 06/10/2016, and remains in effect as long as the license is valid.

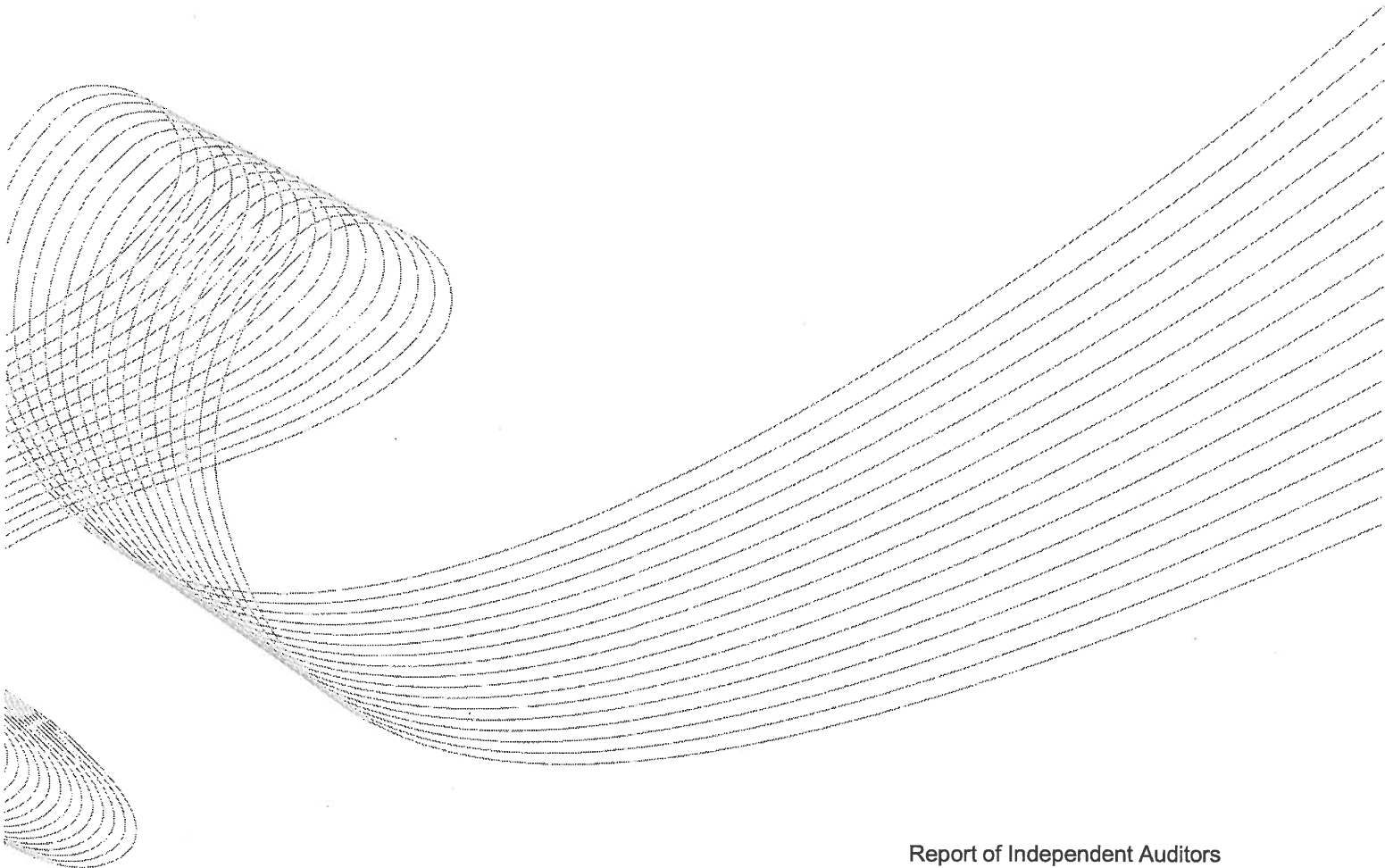
I certify under penalty of perjury under the laws of the State of California that the information provided on this page and on any attachments is true and correct.

BONDING COMPANY SIGNATURE:

BOND NUMBER
0332783

REPLACES BOND NO:

DATE:
06/01/2015



Report of Independent Auditors
and Financial Statements for

Atherton Baptist Homes

December 31, 2015 and 2014

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Atherton Baptist Homes

Report on Financial Statements

We have audited the accompanying financial statements of Atherton Baptist Homes, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOSS ADAMS LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atherton Baptist Homes as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
April 19, 2016

ATHERTON BAPTIST HOMES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS		
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 2,922,871	\$ 869,520
Investments	1,894,049	1,851,647
Accounts receivable, less allowance for doubtful accounts of \$100,000 in 2015 and \$80,000 in 2014	770,691	880,329
Assets limited as to use, required for current liabilities	1,465,000	1,460,000
Prepaid expenses and other current assets	920,291	787,208
Insurance recoveries receivable	<u>624,527</u>	<u>920,740</u>
Total Current Assets	8,597,429	6,769,444
Noncurrent Assets		
Assets limited as to use	7,623,661	7,937,074
Property and equipment, net	38,592,295	39,976,025
Deferred costs, net	1,547,590	1,751,667
Investments	-	228,026
Other investments	334,120	245,490
Other assets	<u>333,304</u>	<u>300,200</u>
Total Assets	<u>\$ 57,028,399</u>	<u>\$ 57,207,926</u>
LIABILITIES AND NET DEFICIT		
Current Liabilities		
Accounts payable	\$ 520,273	\$ 718,847
Accrued liabilities	2,221,084	1,860,401
Deposits on entrance fees	417,890	322,290
Current portion of long-term debt	393,000	372,000
Workers' compensation liability	<u>624,527</u>	<u>920,740</u>
Total Current Liabilities	4,176,774	4,194,278
Noncurrent Liabilities		
Long-term debt, net of current portion	27,330,061	27,637,595
Deferred revenue from entrance fees	12,535,016	11,121,493
Repayable entrance fees liability	15,727,698	14,975,015
Pension liability	2,985,241	2,461,283
Gift annuities payable	1,098,297	1,101,167
Liabilities under charitable remainder trusts and pooled income funds	<u>76,779</u>	<u>106,167</u>
Total Liabilities	<u>63,929,866</u>	<u>61,596,998</u>
Net Deficit		
Unrestricted	(7,158,698)	(4,528,394)
Temporarily restricted	<u>257,231</u>	<u>139,322</u>
Total Net Deficit	<u>(6,901,467)</u>	<u>(4,389,072)</u>
Total Liabilities and Net Deficit	<u>\$ 57,028,399</u>	<u>\$ 57,207,926</u>

ATHERTON BAPTIST HOMES
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenues, Gains, and Other Support		
Residential services, including amortization of entrance fees of \$2,235,315 in 2015 and \$1,715,542 in 2014	\$ 9,522,526	\$ 8,340,839
Nursing center revenue	8,695,948	8,070,738
Investment income	350,113	713,345
Gifts	110,651	346,904
Other income	<u>114,291</u>	<u>103,606</u>
Total Revenues	<u>18,793,529</u>	<u>17,575,432</u>
Operating Expenses		
Salaries and benefits	7,033,004	8,265,873
Purchased goods and services	8,415,309	7,537,472
Interest	2,257,086	2,334,230
Provision for doubtful accounts	77,318	49,721
Other expenses	<u>16,021</u>	<u>25,631</u>
Total Operating Expenses Before Depreciation and Amortization	<u>17,798,738</u>	<u>18,212,927</u>
Operating Income (Loss) Before Depreciation and Amortization	<u>994,791</u>	<u>(637,495)</u>
Depreciation	2,518,887	2,559,333
Amortization	<u>204,078</u>	<u>204,078</u>
Total Depreciation and Amortization	<u>2,722,965</u>	<u>2,763,411</u>
Operating Loss	<u><u>\$ (1,728,174)</u></u>	<u><u>\$ (3,400,906)</u></u>

ATHERTON BAPTIST HOMES
STATEMENTS OF CHANGES IN NET DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Change in Unrestricted Net Deficit		
Operating loss	\$ (1,728,174)	\$ (3,400,906)
Unrealized losses on investments, net	(558,433)	(206,225)
Net assets released from restrictions used for purchase of property and equipment	17,500	-
Change in minimum pension liability	<u>(361,197)</u>	<u>6,871</u>
Change in Unrestricted Net Deficit	<u>(2,630,304)</u>	<u>(3,600,260)</u>
Temporarily Restricted Net Assets		
Investment income	3,220	4,261
Unrealized losses on investments, net	(15,776)	(3,539)
Change in value associated with obligations under charitable remainder trusts and pooled income funds	147,965	(11,338)
Net assets released from restrictions used for purchase of property and equipment	<u>(17,500)</u>	<u>-</u>
Change in Temporarily Restricted Net Assets	<u>117,909</u>	<u>(10,616)</u>
Change in Net Deficit	(2,512,395)	(3,610,876)
Net Deficit, Beginning of Year	<u>(4,389,072)</u>	<u>(778,196)</u>
Net Deficit, End of Year	<u><u>\$ (6,901,467)</u></u>	<u><u>\$ (4,389,072)</u></u>

ATHERTON BAPTIST HOMES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 13,590,309	\$ 12,627,929
Cash received from noncontracted residents	2,345,749	2,209,136
Cash received from deferred entrance fees	3,886,050	2,761,465
Cash received from entrance fees from re-occupancy	1,428,090	1,632,946
Contributions received	46,401	346,904
Dividend and interest income received	350,113	713,345
Other receipts	312,627	287,543
Processing fees	-	4,700
Cash received for services to nonresidents	14,781	16,278
Cash paid to employees, suppliers, and others	(15,103,399)	(15,741,633)
Interest paid	(2,185,100)	(2,460,533)
Repayments of repayable entrance fees from reoccupancy	(301,365)	(951,165)
Cash paid for fundraising costs	(45,294)	(55,033)
Net Cash Provided by Operating Activities	4,338,962	1,391,882
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,155,179)	(1,198,327)
Proceeds from sale of property and equipment	4,000	670
Purchases of investments, assets held by bond indenture trustee and assets limited by Board as to use	(6,441,523)	(11,886,985)
Proceeds from sale of investments, assets held by bond indenture trustee and assets limited by Board as to use	6,401,072	12,199,383
Increase (decrease) in liabilities under charitable remainder trusts, pooled income funds, and gift annuities	(32,258)	132,945
Collections of principal on notes receivable	10,300	18,303
Net Cash Used in Investing Activities	(1,213,588)	(734,011)
Cash Flows from Financing Activities		
Repayments on line of credit	-	(173,596)
Principal payments on long-term debt	(360,000)	(6,350,000)
Principal payments on capital lease obligation	(12,019)	(11,470)
Proceeds from repayable entrance fees and deposits	-	684,853
Refunds of deposits and refundable entrance fees	-	(350,000)
Refunds of entrance fees and deposits	(700,004)	(156,552)
Net Cash Used in Financing Activities	(1,072,023)	(6,356,765)
Net Change in Cash and Cash Equivalents	2,053,351	(5,698,894)
Cash and Cash Equivalents, Beginning of Year	869,520	6,568,414
Cash and Cash Equivalents, End of Year	\$ 2,922,871	\$ 869,520

ATHERTON BAPTIST HOMES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Deficit to Net Cash Provided by Operating Activities		
Change in net deficit	\$ (2,512,395)	\$ (3,610,876)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	2,518,887	2,559,333
Amortization of deferred financing costs	85,485	85,485
Amortization of deferred costs	204,078	204,078
Change in minimum pension liability	361,197	(6,871)
Provision for doubtful accounts	77,318	49,721
Loss on disposal of property and equipment	16,021	25,631
Amortization of entrance fees	(2,235,315)	(1,715,542)
Unrealized losses on investments, net	574,218	209,762
Realized gains on investments, net	(64,110)	(392,124)
Changes in operating assets and liabilities:		
Accounts receivable	32,320	(162,008)
Contribution (pledge) receivable	(64,250)	-
Prepaid expenses and other current assets	(133,083)	(83,465)
Entrance fee receivable	(43,404)	420,326
Accounts payable	(198,574)	67,825
Accrued liabilities	360,683	12,619
Deposits on entrance fees	95,600	16,626
Deferred revenue from entrance fees	3,974,800	2,879,314
Entrance fees from re-occupancy	1,428,090	1,632,946
Repayments of repayable entrance fees from re-occupancy	(301,365)	(951,165)
Pension liability	162,761	150,267
Net Cash Provided by Operating Activities	<u>\$ 4,338,962</u>	<u>\$ 1,391,882</u>

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Organization

Organization and business activity – Atherton Baptist Homes ("Atherton") is a not-for-profit corporation, established in 1914 and licensed by the State of California, Department of Social Services as a continuing care retirement community. Atherton's principal mission is sponsoring a Christian retirement community fostered and supported by the American Baptist Churches, its original sponsoring body, Transformation Ministries, its successor body, and other friends, offering a full range of living options and services to ministers, missionaries and their spouses, and to the lay community. Atherton offers four levels of care, namely, 220 residential living units consisting of one, two, and three bedroom cottages or apartments; 32 congregate assisted living units consisting of one and two rooms; a 6-bed memory support care facility; and a 99-bed skilled nursing facility on an approximately 15-acre campus located in Alhambra, California.

Although Atherton receives no financial assistance directly from the American Baptist Churches, the original sponsoring body, it does receive support from nearly 200 churches from that denomination and its successor body and other friends, which is used to subsidize the difference between the amount paid by residents and the actual cost of operating its facilities. In recognition of support from individual Baptist Churches over the years, ministers and missionaries who have served such churches are given financial assistance upon demonstrated need and as funds are available.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting – Atherton accounts for its financial transactions using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of presentation – Atherton's financial statement presentation follows the recommendations prescribed in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Entities*. Under ASC Topic 958, Atherton is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents – Atherton considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for doubtful accounts, and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Workers' compensation – In accordance with Accounting Standards Update (ASU) No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, Atherton discloses in the statements of financial position the estimated liability outstanding for workers' compensation claims as well as the related insurance recoveries. The estimated liability and insurance recoveries for workers' compensation claims amounted to approximately \$625,000 and \$921,000 for the years ended December 31, 2015 and 2014, respectively.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income (loss) is restricted by donor or law.

Other-than-temporary impairments of investments – Atherton determines whether a decline in the fair value of investments below the cost basis is other-than temporary based on objective evidence as well as subjective factors including knowledge of recent events and assumptions regarding future events. If the decline in fair value is judged to be other-than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in operating loss.

Property and equipment – Property and equipment are stated on the basis of cost, less accumulated depreciation. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method with lives of 5 to 50 years. Atherton capitalizes all expenditures for property and equipment in excess of \$1,000.

Construction in progress – Construction in progress consists of costs incurred on construction projects that have not been completed. Depreciation begins when related assets are placed in service.

Accounting for the impairment of long-lived assets and long-lived assets to be disposed of – Atherton reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. Atherton considers assets to be impaired, and writes them down to fair value if expected associated cash flows are less than the carrying amounts. Fair value is the present value of the associated cash flows. Atherton has determined that no long-lived assets were impaired at December 31, 2015 and 2014.

Deferred costs – Costs of acquiring initial continuing care contracts, which represent certain advertising and marketing costs incurred with acquiring initial continuing care contracts related to the construction and completion of The Courtyard at Atherton, are amortized on a straight-line basis over the average expected remaining lives of the residents under the contract.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred financing costs – Costs incurred in obtaining long-term financing are amortized over the respective terms of the related obligations using the interest method.

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 is intended to define debt issuance costs as a direct deduction from the debt liability as opposed to a deferred asset that has no future economic benefit. This presentation has the effect of reducing the proceeds of borrowing, thereby increasing the effective interest rate and requires the presentation of amortization of debt issuance costs as a component of interest expense. This ASU is effective for Atherton in the annual period ending December 31, 2017 and interim and annual periods thereafter, with early adoption permitted. Atherton has elected to early adopt this ASU in the current fiscal year. The impact of the adoption of this ASU resulted in a reduction of total assets and total liabilities as previously reported of approximately \$1,011,000 at December 31, 2014. Additionally, approximately \$85,000 of amortization of deferred financing costs as previously reported for the year ended December 31, 2014 was reclassified to interest expense.

Obligation to provide future services – Annually, Atherton calculates the present value (using a 3.0% discount rate at December 31, 2015 and 2014, respectively) of the estimated net cost of future services to be provided to current continuing care residents, and, to the extent this amount exceeds the sum of deferred revenue from entrance fees, repayable entrance fees, monthly maintenance fees and other contractually committed revenue, a liability would be recorded for the obligation to provide future services with a corresponding charge included in the statements of operations. The change in the obligation during a year would be reported as a current year change in obligation to provide future services in the statements of operations. No such liability was necessary at December 31, 2015 or 2014.

The California Health and Safety Code requires continuing care contract providers to establish and maintain statutory and refund reserves to assure financial resources will be available to fulfill contractual obligations to residents. A reserve fund escrow account is not required of Atherton. The California Health and Safety Code Section 1790 mandate a statutory reserve and a liquid asset requirement. The mandates were met for the years ended December 31, 2015 and 2014.

Net assets – Atherton's net assets comprise the following:

Unrestricted net assets – Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of Atherton.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by Atherton has been limited by donors to a specific time or purpose. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. When a donor restriction expires, that is, when a stipulated time restriction and/or purpose restriction is met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions where restrictions are met within the same year as received, are reflected as unrestricted contributions in the statements of operations.

Permanently restricted net assets – Permanently restricted net assets are those whose use by Atherton has been restricted by the donor in perpetuity. As of December 31, 2015 and 2014, Atherton did not have any permanently restricted net assets.

Deferred giving programs – Atherton has various arrangements with donors under the following terms:

Gift annuities: As consideration for certain irrevocable gifts made to Atherton for benevolent purposes, Atherton enters into agreements to make fixed annual payments to the donors or their beneficiaries for life. A liability is established for the present value of future payments, discounted at 6.50%, under the terms of the outstanding annuity contracts, with the difference recorded as unrestricted gifts. Gift annuity assets in excess of the liabilities are available to Atherton for corporate use without approval of the California Department of Insurance. However, the Board of Trustees (the "Board") has limited the use of the excess assets until the gift matures (the death of the beneficiary).

Charitable remainder trusts: Atherton is the beneficiary of several revocable charitable remainder trust agreements. Revocable trusts may be revoked by the respective trustors at any time and, therefore, the obligations are carried at an amount equal to the fair value of the assets. Income earned on assets held under revocable trusts is recognized as adjustments to the assets and obligations. Contributions are recognized as temporarily restricted support when the agreements become irrevocable. Upon the death of the trustor, the remaining assets are transferred to unrestricted net assets.

Pooled income funds: Various donors have entered into irrevocable gift agreements whereby income earned on the funds is distributed to donor-designated beneficiaries. Under such agreements, contributions are recognized as temporarily restricted support based on the fair value of the assets contributed less the present value of the payments expected to be made to the beneficiaries. The pooled income fund obligations are reflected as liabilities discounted at 6.00%. Upon termination of the irrevocable gift agreements, the remaining assets are transferred to unrestricted net assets.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Concentration of credit risk – Atherton maintains its cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution, with the exception of balances at Christian Community Credit Union, which are insured by American Private Insurance up to \$250,000. From time to time, cash balances may exceed these insured limits. Atherton has not experienced any losses in such accounts.

Financial instruments, which potentially subject Atherton to concentration of credit risk, consist primarily of investments and receivables. Investments are managed by professional investment managers within the guidelines established by the Board, which, as a matter of policy, limit the amounts that may be invested in anyone issuer. Concentration of credit risk with respect to receivables is limited due to the number of payors comprising Atherton's customer base. As of December 31, 2015 and 2014, Atherton had no significant concentration of credit risk.

Donated services – No amounts have been reflected in the financial statements for donated services. Atherton generally pays for services requiring specific expertise. However, many individuals volunteer their time, and perform a variety of tasks that assist Atherton with specific assistance programs.

Nursing center revenue – Nursing center revenue is reported on the accrual basis in the period in which services are provided, net of third-party contractual allowances for Medicare, Medicaid, and other programs. Contractual allowances include differences between established billing rates and amounts estimated by management as reimbursable under various cost reimbursement formulas and contracts in effect.

The administrative procedures related to the cost reimbursement programs in effect generally preclude final determination of amounts due to, or payable by Atherton until cost reports are audited or otherwise reviewed and settled upon by the applicable administrative agencies. Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of nursing center revenue in the current year. In the opinion of management, adequate provision has been made for adjustments, if any, which might result from subsequent review.

Atherton is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Atherton believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Entrance and monthly maintenance fees – Generally, in return for care to be provided by Atherton, residents pay an initial (most often a lump sum) entrance fee and an ongoing monthly maintenance fee. These initial entrance fees will vary in amount and type depending on where the resident resides.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Courtyard Contracts: Residents that live in Atherton's courtyard community ("Courtyard") pay an entrance fee that is either 90%, 70%, or 50% repayable to residents. The repayable entrance fees are recorded as a repayable entrance fee liability in the statements of financial position. At December 31, 2015 and 2014, repayable entrance fee liability totaled approximately \$15,728,000 and \$14,975,000, respectively.

Atherton also offers a re-occupancy benefit contract for Courtyard residents whereby residents pay an entrance fee ranging from \$298,000 for a one-bedroom unit to between \$357,000 and \$395,000 for a two-bedroom unit and an ongoing monthly maintenance fee. There is an additional entrance fee of \$25,000 for occupancy of a second person. The entrance fee is refundable if the resident should leave Atherton as follows:

1. During the first ninety days, the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy terminates subsequent to the first ninety days, Atherton offers the following re-occupancy benefit refunds to the resident (or their estate) once the unit has been re-occupied:
 - a. Re-occupancy benefit equal to 50% of the paid entrance fees.
 - b. Re-occupancy benefit equal to 70% of the paid entrance fees.
 - c. Re-occupancy benefit equal to 90% of the paid entrance fees.

Classic Contracts: Residents that live in Atherton's independent living units excluding the Courtyard ("Classic") pay a one-time entrance fee that is 100% non-refundable.

The 10%, 50% or 100% non-refundable portion of entrance fees paid by Courtyard and Classic contracted residents are recorded as deferred revenue from entrance fees in the statements of financial position and are amortized over the estimated life of the resident. Under the re-occupancy benefit contract agreements, Atherton amortizes the non-repayable portion of the paid entrance fee over the resident's expected life. The net deferred revenue from entrance fees for residents under the Classic contracts amounted to approximately \$12,535,000 and \$11,121,000 at December 31, 2015 and 2014 respectively.

Residents pay for the right to occupy Atherton's units and for access to its services, but do not obtain title to any of its real estate. Monthly maintenance fees are reported on the accrual basis in the period in which services are provided.

Advertising costs – Advertising costs (not associated with acquiring initial continuing-care contracts) are charged to operations when incurred. Total advertising expense for the years ended December 31, 2015 and 2014 were approximately \$53,000 and \$167,000, respectively, and are included in purchase goods and services in the accompanying statements of operations.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Performance indicator – Operating loss is the performance indicator. Changes in unrestricted net deficit, which are excluded from operating loss, include unrealized gains and losses on other-than-trading securities, restricted contributions expended during the year for capital, and changes in the minimum pension liability.

Income taxes – Atherton is organized as a non-profit corporation under the general non-profit corporation laws of the State of California, and is exempt from federal income taxation under Internal Revenue Code section 501(c)(3). Non-profit organizations are generally not liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

Atherton considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Atherton evaluates its uncertain tax positions using the provisions with accounting principles generally accepted in the United States of America ("GAAP"). These standards require management to perform an evaluation of all tax positions taken, or expected to be taken in the course of preparing the Atherton's tax returns. Management believes the tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Examples of tax positions include tax-exempt status of Atherton, and various positions related to the potential sources of unrelated business taxable income. Since tax matters are subject to some degree of uncertainty, there can be no assurance that Atherton's tax returns will not be challenged by the taxing authorities, and that Atherton will not be subject to tax, penalties, and interest as a result of such challenge. Generally, Atherton's tax returns remain open for three years for federal income tax examination and four years for state income tax examination.

Use of estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the statements of financial position for cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, other assets and accrued liabilities approximate fair value. The fair values of assets limited as to use and investments are disclosed in Note 4. The fair values of long-term debt are disclosed in Note 11.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Comparative financial statements – Certain amounts included in the 2014 financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2015 financial statements.

New accounting guidance – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU 2014-09 was deferred by ASU 2015-14, *Deferral of the Effective Date*, to annual periods beginning after December 15, 2017 (fiscal year ending December 31, 2018 for Atherton). Atherton is currently evaluating the impact of the provisions of ASU 2014-09 on the presentation of its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)* – *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for Atherton in the annual period ending December 31, 2017 and annual periods thereafter. Atherton is currently evaluating the impact of the provisions of ASU 2014-15 on its financial statements.

In the normal course of business, Atherton evaluates all new accounting pronouncements to determine the potential impact they may have on its financial statements. Based upon this evaluation, Atherton does not expect any of the remaining recently issued accounting pronouncements, which have not already been adopted by Atherton, to have a material impact on its financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the statements of financial position date but before financial statements are issued. Atherton recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. Atherton has evaluated subsequent events through April 19, 2016, which is the date the financial statements were issued, and concluded that there were no additional events or transactions that need to be disclosed.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 3 – Investments

Investments are classified in the accompanying statements of financial position as follows:

	2015	2014
Investments - general fund	\$ 1,894,049	\$ 1,851,647
Assets held by bond indenture trustee, required for current liabilities	1,465,000	1,460,000
Assets limited by Board as to use	4,846,361	4,910,258
Assets held by bond indenture trustee, net of current portion	2,777,300	3,026,816
Investments - other	-	228,026
Other investments (held under charitable remainder trusts and pooled income funds)	334,120	245,490
	<u>\$ 11,316,830</u>	<u>\$ 11,722,237</u>

Assets recognized under gift annuities are included in assets limited by Board as to use and total approximately \$2,117,000 and \$1,989,000 at December 31, 2015 and 2014, respectively.

The following table discloses the composition of investment return for the years ended December 31:

	2015	2014
Unrestricted net assets:		
Interest and dividend income	\$ 281,130	\$ 317,131
Realized gains, net	68,983	396,214
Unrealized losses, net	(558,433)	(206,225)
	<u>\$ (208,320)</u>	<u>\$ 507,120</u>
Temporarily restricted net assets:		
Interest and dividend income	\$ 8,093	\$ 8,351
Realized losses, net	(4,873)	(4,090)
Unrealized losses, net	(15,776)	(3,539)
	<u>\$ (12,556)</u>	<u>\$ 722</u>

Atherton paid approximately \$99,000 and \$108,000 in investment consulting fees during the years ended December 31, 2015 and 2014, respectively, which is included in purchased goods and services expense on the statements of operations.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 4 – Fair Value Measurements

In accordance with FASB ASC Topic 820, Atherton classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2015:

	Investment Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
U.S. equities	\$ 3,837,471	\$ -	\$ -	\$ 3,837,471
Certificates of deposit	-	480,903	-	480,903
Corporate bonds	-	3,078,432	-	3,078,432
Money market funds	2,082,196	-	-	2,082,196
Exchange traded funds	101,382	-	-	101,382
Government bonds	-	1,736,446	-	1,736,446
	<u>\$ 6,021,049</u>	<u>\$ 5,295,781</u>	<u>\$ -</u>	<u>\$ 11,316,830</u>

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 4 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2014:

	Investment Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
U.S. equities	\$ 5,327,681	\$ -	\$ -	\$ 5,327,681
Certificates of deposit	-	455,445	-	455,445
Corporate bonds		2,038,628	-	2,038,628
Money market funds	2,025,001	-	-	2,025,001
Exchange traded funds	1,667,650	-	-	1,667,650
Government bonds		207,832	-	207,832
	<u>\$ 9,020,332</u>	<u>\$ 2,701,905</u>	<u>\$ -</u>	<u>\$ 11,722,237</u>

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of other investments pursuant to the valuation hierarchy:

U.S. equities, corporate bonds, government bonds, exchange-traded funds and money market funds: valued at fair value by reference to quoted market prices in active markets for identical assets or liabilities (unadjusted) and other relevant generated market transactions that Atherton has the ability to access at the measurement date.

Split-interest agreements: Split-interest agreements include charitable remainder trusts, charitable gift annuities and pooled income funds. Split-interest agreements are valued at fair value by estimating the present value of expected future cash inflows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2015 and 2014.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 5 – Assets Held in Trust for Residents

Residents can deposit personal-use funds into trust accounts maintained by Atherton. These funds are maintained strictly for use by the residents for their personal expenses, including monthly charges for personal and nursing care at agreed-upon rates. If a resident leaves Atherton, the balance remaining in the fund is returned. Assets held in trust for residents, included in prepaid expenses and other current assets, amounted to approximately \$566,000 and \$217,000 as of December 31, 2015 and 2014, respectively. As these funds do not represent assets of Atherton, a corresponding trust account liability is included in accrued liabilities.

Note 6 – Assets Limited as to Use

Assets limited as to use are comprised of the following at December 31:

	2015	2014
Assets limited by Board as to use	\$ 4,846,361	\$ 4,910,258
Assets held by bond indenture trustee	4,242,300	4,486,816
	<u>\$ 9,088,661</u>	<u>\$ 9,397,074</u>

Assets limited by Board as to use consisted of board-designated funds, including unrestricted gifts received by Atherton. Although such funds are not legally restricted as to use, it is the Board's current intention that these assets would remain intact and that only the interest earned on these assets would be available to subsidize operations. Atherton's Board has designated these assets for this purpose, however such designation can be changed at any time.

As part of the bond indenture (Note 11), several restricted funds were established and are maintained by the Trustee. These funds are the Debt Service Reserve Fund, Project Fund, and Bond Fund. These funds consist of cash and cash equivalents and fixed income securities. The balance in each fund as of December 31 is as follows:

	2015	2014
Debt Service Reserve Fund	\$ 2,777,761	\$ 2,785,622
Project Fund	30	243,185
Bond Fund	1,464,509	1,458,009
	4,242,300	4,486,816
Less: current portion	1,465,000	1,460,000
	<u>\$ 2,777,300</u>	<u>\$ 3,026,816</u>

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 6 – Assets Limited as to Use (continued)

Per the bond indenture, Atherton must also maintain an Operating Reserve Fund; however, it is not required to be maintained by the Trustee. The Operating Reserve Fund, which totals approximately \$2,376,000 and \$2,536,000 as of December 31, 2015 and 2014, respectively, is included in the accompanying statements of financial position under assets limited by Board as to use.

Note 7 – Property and Equipment

Property and equipment at December 31 consists of the following:

	2015	2014
Land	\$ 3,350,093	\$ 3,350,093
Buildings and improvements	57,171,486	56,541,084
Major movable and fixed equipment	10,270,414	10,080,929
	<hr/>	<hr/>
	70,791,993	69,972,106
Less accumulated depreciation	33,198,688	30,932,845
	<hr/>	<hr/>
Total depreciable assets	37,593,305	39,039,261
Construction in progress	998,990	936,764
	<hr/>	<hr/>
	<u>\$ 38,592,295</u>	<u>\$ 39,976,025</u>

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to approximately \$2,519,000 and \$2,559,000, respectively.

Note 8 – Deferred Costs, Net

Deferred costs, net of accumulated amortization, are comprised of the following at December 31:

	2015	2014
Costs of acquiring initial continuing care contracts	2,443,110	2,443,110
Less: accumulated amortization	895,520	691,443
	<hr/>	<hr/>
Costs of acquiring initial continuing care contracts, net	1,547,590	1,751,667
Deferred costs, net	<u>\$ 1,547,590</u>	<u>\$ 1,751,667</u>

Amortization expense for the years ended December 31, 2015 and 2014 amount to approximately \$204,000 each year and is included in interest expense in the statements of operations.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 9 – Accrued Workers' Compensation Claims

On November 20, 2013, Atherton entered into a guaranteed cost policy insurance program to cover workers' compensation claims. Under the current policy, claims are unlimited on a per claim basis with no deductible. The terms of the policy were renewed on November 20, 2015.

Prior to November 20, 2013, Atherton participated in a self-insured workers compensation program with two other retirement communities. Under this program, Atherton purchased workers' compensation policies from a commercial insurance carrier, and subsequently reinsured back a portion of their claims costs through a captive insurance company. The arrangement with the other retirement communities allowed for the sharing of the captive expenses, but not the cost of workers' compensation claims unless default occurred with the other retirement communities. Under the program, in the event that the commercial insurance company is called to satisfy any outstanding obligation of the retirement communities, the insurer has the right of indemnification from each retirement community on a joint and several basis. Atherton assumed the cost of its workers' compensation claims up to \$350,000 of each claim, plus allocated loss adjustment expense.

Atherton deposited funds in the captive insurance company on an annual basis and recorded this as an insurance premium expense. In addition, Atherton has pledged letters of credit totaling approximately \$656,000 as additional funding of this liability. Under an agreement with the captive insurance company, Atherton and the other two members of the captive group receive returns of the excess profits periodically. Returns of the excess profits received in a given calendar year are recognized as a decrease in insurance premium expense. The remaining funds are held by the captive insurance company for future potential liabilities. The captive insurance company annually estimates reserves for unpaid losses. Estimates used for reserves may or may not be sufficiently covered by deposits in any individual year or collectively, and may require additional funding. As of December 31, 2015 and 2014, management believes that the captive insurance company is adequately funded for the workers' compensation claim costs.

Note 10 – Line of Credit

Atherton has a \$500,000 unsecured revolving line of credit that is renewable annually. The line of credit bears interest at 1.5% above the prime rate published in the Wall Street Journal (with a floor rate of 4.0%) per annum. The interest rate was 4.0% as of December 31, 2015. No amounts were outstanding at December 31, 2015 or 2014.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 11 – Long-Term Debt

During 2010, Atherton issued 2010 Bonds pursuant to an Indenture of Trust dated as of January 1, 2010, ("Indenture") among the City of Alhambra, California ("Issuer"), Atherton and Wells Fargo Bank ("Trustee"). The 2010 Bonds were issued to fund the construction of the Courtyard project, which consists of 50 one bedroom, 1 and 1/2 bathroom, and two bedroom, two bathroom independent living units on the southeast portion of its campus. The Courtyard project commenced in February 2010, and was completed in July 2011.

The proceeds of the 2010 Bonds, together with other available funds from Atherton, were applied to pay a portion of the costs of the Courtyard project as described above; to fund interest on the portion of the 2010 Bonds that is allocated to the Courtyard project and other expenses incidental to the Courtyard project; to fund a debt service reserve fund; and to pay the costs of issuance.

Long-term debt at December 31 consists of the following:

	<u>2015</u>	<u>2014</u>
Series 2010A bonds with semi-annual principal payments due through 2030 and 2040, at a stated interest rate of 7.5% and 7.625% per annum, respectively. Interest is payable semi-annually on January 1 and July 1.	\$ 28,610,000	\$ 28,970,000
Capital lease, secured by equipment, with monthly principal payments due through 2018, at a stated interest rate of 4.50% per annum. Interest is payable monthly on the 10th of each month.	<u>38,273</u>	<u>50,291</u>
	28,648,273	29,020,291
Less: current maturities	393,000	372,000
Less: unamortized deferred financing costs	<u>925,212</u>	<u>1,010,696</u>
	<u>\$ 27,330,061</u>	<u>\$ 27,637,595</u>

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 11 – Long-Term Debt (continued)

As part of the indenture, Atherton granted to the Trustee the following:

1. First lien on the land and buildings owned by Atherton.
2. Security interest in substantially all assets and gross revenue of Atherton.
3. Assignment of Atherton's right in resident agreements.

Atherton is also required to comply with various restrictive and financial covenants as specified in the Indenture, including a debt service coverage ratio, liquidity ratio, marketing targets, and occupancy requirements.

Principal payments due are as follows:

Fiscal Year	Principal Payments
2016	\$ 393,000
2017	428,141
2018	452,572
2019	470,000
2020	515,000
Thereafter	26,389,560
Totals	<u>\$ 28,648,273</u>

Long-term debt is carried at amortized cost. The fair value of Atherton's long-term debt is estimated to equal its carrying value based on Level 2 inputs, such as the quoted market prices for the same or similar issues or on the current rates offered to Atherton for debt of the same remaining maturities. The following table presents Atherton's estimated fair values of the long-term debt in accordance with FASB ASC Topic 825, *Financial Instruments*, at December 31, 2015 and 2014:

	2015		2014	
	Carrying	Fair Value	Carrying	Fair Value
Series 2010A Bonds	\$ 28,610,000	\$ 29,518,065	\$ 28,970,000	\$ 31,526,722

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 12 – Pension Plans

Atherton has two noncontributory employee retirement plans; a defined contribution plan and a defined benefit plan.

The defined contribution plan covered all employees effective January 1, 2004. The Ministers and Missionaries Benefit Board of the American Baptist Churches maintain this plan. Contributions to this plan are based on a percentage of participating employees' salaries. The defined contribution plan expense for the years ended December 31, 2015 and 2014 totaled approximately \$267,000 and \$258,000, respectively.

The defined benefit plan (the "pension plan") was frozen effective December 31, 2003. However, pension plan funding was to continue until such time that the pension plan was terminated and all obligations were satisfied. The plan is expected to be fully funded by 2015.

The following tables summarize the obligations and funded status of Atherton's pension plan:

	2015	2014
Benefit obligation at December 31	\$ 3,725,325	\$ 3,435,465
Benefit payments	141,666	144,584
Fair value of plan assets at December 31	772,120	974,182
Net unfunded status of plan	2,985,241	2,461,283

Amounts recognized in the statements of financial position consist of:

	2015	2014
Pension liability	\$ 2,985,241	\$ 2,461,283

Amounts recognized in the statements of changes in unrestricted net assets:

	2015	2014
Actuarial losses	\$ 1,517,860	\$ 1,156,663

The projected benefit obligation, accumulated obligation, and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were as follows:

	2015	2014
Project benefit obligation	\$ 3,725,325	\$ 3,435,465
Accumulated benefit obligation	\$ 3,725,325	\$ 3,435,465
Fair value of plan assets	\$ 772,120	\$ 974,182

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 12 – Pension Plans (continued)

The net periodic benefit cost recognized in the statements of changes in net assets is as follows:

	2015	2014
Net periodic pension cost	\$ 162,761	\$ 150,267

Atherton has recognized, in the accompanying statements of financial position, the minimum liability of the unfunded accumulated benefit obligation as unfunded pension liability with an offsetting adjustment to unrestricted net assets. For the year ended December 31, 2015, the minimum pension liability was increased by approximately \$524,000, bringing the total unfunded pension liability to approximately \$2,985,000 at December 31, 2015. For the year ended December 31, 2014, the minimum pension liability was increased by approximately \$143,000, bringing the total unfunded pension liability to approximately \$2,461,000 at December 31, 2014.

The actuarial loss that will be amortized from unrestricted net deficit into net periodic pension cost over the next fiscal year is approximately \$83,000.

Assumptions:

The weighted-average assumptions used to determine benefit obligations at December 31 were as follows:

	2015	2014
Discount rate	4.50%	4.50%
Rate of compensation increase	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	2015	2014
Discount rate	4.50%	4.50%
Expected return on plan assets	7.00%	8.00%
Rate of compensation increase	N/A	N/A

The expected return on plan assets was determined based on historical and expected future returns of the various asset classes.

The primary investment objective of Atherton is to preserve and protect the assets of Atherton while earning a rate of return that is appropriate for each fund. After preservation of capital, the objectives of Atherton are (1) the growth of principal and income to offset inflation, and (2) the production of a current income.

ATHERTON BAPTIST HOMES

NOTES TO FINANCIAL STATEMENTS

Note 12 – Pension Plans (continued)

To accomplish Atherton's investment objectives, balanced portfolios of equity (common stocks and convertible securities), fixed income, and short-term reserves are utilized. As a guide to accomplishing these objectives the following maximum and minimum percentage guidelines (percentage of market value) are to be observed as long-term controls:

Asset Class	Target Allocation (Max/Min)
Equity	90%/10%
Fixed income	90%/10%
Short-term reserves	10%/5%

The fair values of Atherton's plan assets at December 31 (the measurement date), by asset category, are as follows:

Contributions – Since January 2006, Atherton has been setting aside an annual amount of \$180,000 of general fund assets to fund the pension plan; however, Atherton did not make a contribution to its pension plan during 2015. The balance of the general fund assets totaled approximately \$772,000 and \$1,410,000 as of December 31, 2015 and 2014, respectively.

Measurement date – The measurement date used to determine pension benefit measures for the plan is December 31.

Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Cash	\$ 33,000	\$ -	\$ -	\$ 33,000
Equity securities	528,484	-	-	528,484
Fixed income securities	201,250	-	-	201,250
Total plan assets	762,734	-	-	762,734
Net of prepayment and payable	9,386	-	-	9,386
Net plan assets	\$ 772,120	\$ -	\$ -	\$ 772,120

Assets at Fair Value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
Cash	\$ 9,985	\$ -	\$ -	\$ 9,985
Equity securities	800,756	-	-	800,756
Fixed income securities	226,400	-	-	226,400
Total plan assets	1,037,141	-	-	1,037,141
Net of prepayment and payable	(62,959)	-	-	(62,959)
Net plan assets	\$ 974,182	\$ -	\$ -	\$ 974,182

ATHERTON BAPTIST HOMES
NOTES TO FINANCIAL STATEMENTS

Note 12 – Pension Plans (continued)

As of December 31, 2015, expected future benefit payments were as follows:

<u>Years ending December 31,</u>	
2016	\$ 161,459
2017	165,074
2018	169,849
2019	186,701
2020	185,983
Thereafter	<u>1,132,367</u>
	<u><u>\$ 2,001,433</u></u>

Note 13 – Functional Expenses

Atherton provides residential and nursing center services to its residents. Expenses related to providing these services for 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Residential services	\$ 8,627,449	\$ 8,775,126
Nursing center services	8,372,916	8,614,875
General and administrative	3,408,199	3,448,764
Fundraising	<u>113,139</u>	<u>137,573</u>
	<u><u>\$ 20,521,703</u></u>	<u><u>\$ 20,976,338</u></u>

Note 14 – Contingencies

Atherton is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation unknown or unasserted regulatory actions. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. Management believes any actions that may result from investigations of non-compliance with laws and regulations will not have a material effect on Atherton's future financial position or results of operations.

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules for

Atherton Baptist Homes

As of and for the year ended
December 31, 2015

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RECEIVED
APR 29 2016

CONTINUING CARE
CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors of
Atherton Baptist Homes
Alhambra, California

Financial Statements

We have audited the accompanying financial statements of Atherton Baptist Homes, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOSS ADAMS LLP***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of Atherton Baptist Homes as of and for the year ended December 31, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Atherton Baptist Homes on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Supplementary Schedules to Forms 5-1 and 5-5, Reconciliation to Audit Report, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Atherton Baptist Homes and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.



Los Angeles, California
April 19, 2016

CONTINUING CARE LIQUID RESERVE SCHEDULES

ATHERTON BAPTIST HOMES

FORM 5-1

LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR

DECEMBER 31, 2015

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/28/10	\$360,000	\$2,183,094	\$0	\$2,543,094
2	12/10/13	\$12,019	\$2,006		\$14,025
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$372,019	\$2,185,100	\$0	\$2,557,119

*(Transfer this amount to
Form 5-3, Line 1)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Atherton Baptist Homes

ATHERTON BAPTIST HOMES**FORM 5-2****LONG-TERM DEBT INCURRED DURING FISCAL YEAR****DECEMBER 31, 2015**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					
3					
4					
5					
6					
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

*(Transfer this amount to
Form 5-3, Line 2)***NOTE:** For column (b), do not include voluntary payments made to pay down principal.**PROVIDER:** Atherton Baptist Homes

ATHERTON BAPTIST HOMES

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

DECEMBER 31, 2015

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$2,557,119</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$2,557,119</u></u>

PROVIDER: Atherton Baptist Homes

ATHERTON BAPTIST HOMES

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

DECEMBER 31, 2015

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$20,521,703
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$2,185,100
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$2,518,887
d.	Amortization	\$289,564
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,345,749
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$7,339,300
4	Net Operating Expenses	\$13,182,403
5	Divide Line 4 by 365 and enter the result.	\$36,116
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve	\$2,708,713
PROVIDER:	Atherton Baptist Elder Ministries	
COMMUNITY:	Atherton Baptist Homes	

ATHERTON BAPTIST HOMES
FORM 5-5
ANNUAL RESERVE CERTIFICATION
DECEMBER 31, 2015

Provider Name: Atherton Baptist Elder Ministries
 Fiscal Year Ended: 12/31/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2015 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$2,557,119</u>
[2] Operating Expense Reserve Amount	<u>\$2,708,713</u>
[3] Total Liquid Reserve Amount:	<u>\$5,265,832</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u>	<u>Operating Reserve</u>
	<u>Debt Service Reserve</u>	
[4] Cash and Cash Equivalents		<u>\$3,672,175</u>
[5] Investment Securities		<u>\$101,382</u>
[6] Equity Securities		<u>\$5,408,823</u>
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	<u>\$4,242,300</u>	(not applicable)
[10] Other:		<u>\$480,903</u>
<u>Certificates of deposit maturing within a year</u>		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets	<u>\$4,242,300</u> [12]	<u>\$9,663,283</u>
Reserve Obligation Amount: [13]	<u>\$2,557,119</u>	<u>\$2,708,713</u> [14]
Surplus/(Deficiency): [15]	<u>\$1,685,181</u>	<u>\$6,954,570</u> [16]

Signature:

John L. Leland
Chief Financial Officer

Date: 4/25/2016

SUPPLEMENTARY SCHEDULE

ATHERTON BAPTIST HOMES
SUPPLEMENTARY SCHEDULE TO FORM 5-4
RECONCILIATION TO AUDIT REPORT
DECEMBER 31, 2015

Operating Expenses During Fiscal Year

Operating expenses before depreciation and amortization	\$ 17,798,738
Depreciation	2,518,887
Amortization	<u>204,078</u>
Total per Form 5-4	<u><u>\$ 20,521,703</u></u>

Amortization During Fiscal Year

Amortization of deferred costs	\$ 204,078
Amortization of deferred financing costs, included in interest expense	<u>85,486</u>
Total per Form 5-4	<u><u>\$ 289,564</u></u>

ATHERTON BAPTIST HOMES
SUPPLEMENTARY SCHEDULE TO FORM 5-5
RECONCILIATION TO AUDIT REPORT
DECEMBER 31, 2015

Total cash and investments per audited statement of financial position

Cash and cash equivalents	\$ 2,922,871
Investments - general fund	1,894,050
Assets limited as to use, required for current liabilities	1,465,000
Assets limited as to use, noncurrent	<u>7,623,661</u>
Total cash and investments	<u><u>\$ 13,905,582</u></u>

Net cash available for debt service

Assets held by bond indenture trustee	<u>\$ 4,242,300</u>
Total cash and investments available for debt service reserve	<u><u>\$ 4,242,300</u></u>

Net cash available for operating reserve

Total cash and investments	\$ 13,905,582
Less assets held by bond indenture trustee	<u>4,242,300</u>
Net cash and investments available for operating reserve	<u><u>\$ 9,663,282</u></u>

Qualifying Assets per Form 5-5

Operating Reserve	\$ 9,663,283
Debt Service Reserve	<u>4,242,300</u>
Total Qualifying Assets	<u><u>\$ 13,905,583</u></u>

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 4/11/2016

FACILITY NAME: Atherton Baptist Homes

ADDRESS: 214 S. Atlantic Blvd., Alhambra, CA

ZIP CODE: 91801

PHONE: (626) 289-4178

PROVIDER NAME: Atherton Baptist Homes

FACILITY OPERATOR: N/A

RELATED FACILITIES: N/A

RELIGIOUS AFFILIATION: ABC-PSW & Transformation Ministries

YEAR # OF ☐ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 1/2

OPENED: 1914 ACRES: 15 STORY STORY ☐ OTHER:

MILES TO HOSPITAL: 1/2

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 4

APARTMENTS — 1 BDRM: 74

APARTMENTS — 2 BDRM: 121

COTTAGES/HOUSES: 21

RLU OCCUPANCY (%) AT YEAR END: 90.9%

HEALTH CARE

ASSISTED LIVING: 38

SKILLED NURSING: 99

SPECIAL CARE: N/A

DESCRIPTION: > N/A

TYPE OF OWNERSHIP:

☒ NOT-FOR-PROFIT

☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☐ NO BY:

FORM OF CONTRACT:

☒ CONTINUING CARE

☐ LIFE CARE

☐ ENTRANCE FEE

☐ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☒ 90% ☐ 75% ☒ 50% ☒ FULLY AMORTIZED ☒ OTHER: 70%

RANGE OF ENTRANCE FEES: \$ 50,000 - \$ 450,000

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT:

None

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: N/A

OTHER: N/A

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > One resident voting member and one resident-chosen

> advisor who has a voice (no vote) in all Board meetings. They are both encouraged to participate and fully advocate for resident issues.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3/DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WEELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER Gift Shops	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Atherton Baptist Homes

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Atherton Baptist Homes

Alhambra, CA

(626) 289-4178

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

N/A

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

N/A

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

N/A

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Atherton Baptist Homes

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$14,883,249	\$15,091,635	\$15,409,380	\$16,333,272
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$14,284,011	\$15,648,571	\$15,878,697	\$15,541,652
NET INCOME FROM OPERATIONS	\$599,238	\$-556,936	\$-469,317	\$791,620
LESS INTEREST EXPENSE	\$-3,326,066	\$-2,636,767	\$-2,248,745	\$-2,171,600
PLUS CONTRIBUTIONS	\$169,968	\$1,695,942	\$346,904	\$110,651
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$115,689	\$163,806	\$103,606	\$114,291
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$-2,441,171	\$-1,333,955	\$-2,267,552	\$-1,155,038
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$2,882,256	\$7,927,987	\$3,621,544	\$4,312,765

DESCRIPTION OF SECURED DEBT <i>(as of most recent fiscal year end)</i>					
LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
2010A Revenue Bonds	\$ 9,995,000	7.50%	01/28/2010	01/01/2030	20 years
2010A Revenue Bonds	\$18,615,000	7.63%	01/28/2010	01/01/2040	30 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50 th Percentile	2013	2014	2015
DEBT TO ASSET RATIO	36.29%	43.90%	50.08%	49.55%
OPERATING RATIO	95.76%	107.90%	114.30%	106.98%
DEBT SERVICE COVERAGE RATIO	2.71x	3.50x	1.29x	2.08x
DAYS CASH ON HAND RATIO	298 days	258 days	158 days	199 days

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	\$555	3.0	\$572	3.0	\$589	4.0	\$613
ONE BEDROOM	\$2,503	3.0	\$2,578	3.0	\$2,655	4.0	\$2,761
TWO BEDROOM	\$3,523	3.0	\$3,629	3.0	\$3,738	4.0	\$3,888
COTTAGE/HOUSE	\$1,449	3.0	\$1,492	3.0	\$1,537	4.0	\$1,598
ASSISTED LIVING	\$3,276	3.0	\$3,374	3.0	\$3,475	4.0	\$3,614
SKILLED NURSING	\$243 (avg per day)	3.0	\$250	3.0	\$258	4.0	\$268
SPECIAL CARE	N/A						

COMMENTS FROM PROVIDER: > Rate increase were approved by the Board of Trustees. Historical monthly service fees reflect rate increases

> charged to current residents. Skilled nursing historical daily rates reflect the average for private and semi-private rooms.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$ 473 to \$ 4,402	\$ 2,265 to \$ 5,101	\$ 244/day to \$ 291/day
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	4.0%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: January 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Atherton Baptist Homes
COMMUNITY: Atherton Baptist Homes

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Attachment to Item [5]:

Rate increases on monthly fees for the following levels of care were approved by the Board of Trustees based on projected operating costs of the continuing care retirement community, projected per capita costs, and economic indicators:

	Rate Increase	Range of Monthly Fees
Residential living	4.0%	\$ 473 to \$4,402 *
Assisted living	4.0%	\$2,265 to \$5,101
Skilled nursing care	4.0%	\$244/day to \$291/day **

* Range of monthly fees effective January 1, 2015 based on grid pricing schedule.

** Plus \$20 per day for non-contracted residents in skilled nursing care.

KEY INDICATORS REPORT

Atherton Baptist Homes

Date Prepared: 4/25/2016

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

3. Net Operating Margin - Adjusted (%)

LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

5. Days Cash on Hand (Unrestricted)

CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

7. Net Annual E/F proceeds (\$000)

8. Unrestricted Net Assets (\$000)

9. Annual Capital Asset Expenditure (\$000)

10. Annual Debt Service Coverage
Revenue Basis (x)

11. Annual Debt Service Coverage (x)

12. Annual Debt Service/Revenue (%)

13. Average Annual Effective Interest Rate (%)

14. Unrestricted Cash & Investments/
Long-Term Debt (%)

15. Average Age of Facility (years)

	Forecast					Preferred Trend Indicator
	2011	2012	2013	2014	2015	
Projected 2016	89.92%					
2017	90.76%					
2018	91.32%					
2019	91.88%					
2020	92.44%					
2021	93.00%					
2022	93.56%					
2023	94.12%					
2024	94.68%					
2025	95.24%					
2026	95.80%					
2027	96.36%					
2028	96.92%					
2029	97.48%					
2030	98.04%					
2031	98.60%					
2032	99.16%					
2033	99.72%					
2034	100.28%					
2035	100.84%					
2036	101.40%					
2037	101.96%					
2038	102.52%					
2039	103.08%					
2040	103.64%					
2041	104.20%					
2042	104.76%					
2043	105.32%					
2044	105.88%					
2045	106.44%					
2046	107.00%					
2047	107.56%					
2048	108.12%					
2049	108.68%					
2050	109.24%					
2051	109.80%					
2052	110.36%					
2053	110.92%					
2054	111.48%					
2055	112.04%					
2056	112.60%					
2057	113.16%					
2058	113.72%					
2059	114.28%					
2060	114.84%					
2061	115.40%					
2062	115.96%					
2063	116.52%					
2064	117.08%					
2065	117.64%					
2066	118.20%					
2067	118.76%					
2068	119.32%					
2069	119.88%					
2070	120.44%					
2071	121.00%					
2072	121.56%					
2073	122.12%					
2074	122.68%					
2075	123.24%					
2076	123.80%					
2077	124.36%					
2078	124.92%					
2079	125.48%					
2080	126.04%					
2081	126.60%					
2082	127.16%					
2083	127.72%					
2084	128.28%					
2085	128.84%					
2086	129.40%					
2087	129.96%					
2088	130.52%					
2089	131.08%					
2090	131.64%					
2091	132.20%					
2092	132.76%					
2093	133.32%					
2094	133.88%					
2095	134.44%					
2096	135.00%					
2097	135.56%					
2098	136.12%					
2099	136.68%					
2100	137.24%					
2101	137.80%					
2102	138.36%					
2103	138.92%					
2104	139.48%					
2105	140.04%					
2106	140.60%					
2107	141.16%					
2108	141.72%					
2109	142.28%					
2110	142.84%					
2111	143.40%					
2112	143.96%					
2113	144.52%					
2114	145.08%					
2115	145.64%					
2116	146.20%					
2117	146.76%					
2118	147.32%					
2119	147.88%					
2120	148.44%					
2121	149.00%					
2122	149.56%					
2123	150.12%					
2124	150.68%					
2125	151.24%					
2126	151.80%					
2127	152.36%					
2128	152.92%					
2129	153.48%					
2130	154.04%					
2131	154.60%					
2132	155.16%					
2133	155.72%					
2134	156.28%					
2135	156.84%					
2136	157.40%					
2137	157.96%					
2138	158.52%					
2139	159.08%					
2140	159.64%					
2141	160.20%					
2142	160.76%					
2143	161.32%					
2144	161.88%					
2145	162.44%					
2146	163.00%					
2147	163.56%					
2148	164.12%					
2149	164.68%					
2150	165.24%					
2151	165.80%					
2152	166.36%					
2153	166.92%					
2154	167.48%					
2155	168.04%					
2156	168.60%					
2157	169.16%					
2158	169.72%					
2159	170.28%					
2160	170.84%					
2161	171.40%					
2162	171.96%					
2163	172.52%					
2164	173.08%					
2165	173.64%					
2166	174.20%					
2167	174.76%					
2168	175.32%					
2169	175.88%					
2170	176.44%					
2171	177.00%					
2172	177.56%					
2173	178.12%					
2174	178.68%					
2175	179.24%					
2176	179.80%					
2177	180.36%					
2178	180.92%					
2179	181.48%					
2180	182.04%					
2181	182.60%					
2182	183.16%					
2183	183.72%					
2184	184.28%					
2185	184.84%					
2186	185.40%					
2187	185.96%					
2188	186.52%					
2189	187.08%					
2190	187.64%					
2191	188.20%					
2192	188.76%					
2193	189.32%					
2194	189.88%					
2195	190.44%					
2196	191.00%					
2197	191.56%					
2198	192.12%					
2199	192.68%					
2200	193.24%					
2201	193.80%					
2202	194.36%					
2203	194.92%					
2204	195.48%					
2205	196.04%					
2206	196.60%					
2207	197.16%					
2208	197.72%					
2209	198.28%					
2210	198.84%					
2211	199.40%					
2212	199.96%					
2213	200.52%					
2214	201.08%					
2215	201.64%					
2216	202.20%					
2217	202.76%					
2218	203.32%					
2219	203.88%					
2220	204.44%					
2221	205.00%					
2222	205.56%					
2223	206.12%					
2224	206.68%					
2225	207.24%					
2226	207.80%					
2227	208.36%					
2228	208.92%					
2229	209.48%					
2230	210.04%					
2231	210.60%					
2232	211.16%					
2233	211.72%					
2234	212.28%					
2235	212.84%					
2236	213.40%					
2237	213.96%					
2238	214.52%					
2239	215.08%					
2240	215.64%					
2241	216.20%					
2242	216.76%					
2243	217.32%					
2244	217.88%					
2245	218.44%					
2246	219.00%					
2247	219.56%					
2248	220.12%					
2249	220.68%					
2250	221.24%					
2251	221.80%					
2252	222.36%					
2253	222.92%					
2254	223.48%					
2255	224.04%					
2256	224.60%					
2257	225.16%					